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No.....

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

AVCO CORPORATION,

Petitioner,

v.

PRECISION AIR PARTS, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

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ISSUES PRESENTED

1. Whether resort to a defense not raised in the trial court to affirm summary judgment deprives the party resisting summary judgment of its day in court on issues first raised by the new defense.

2. Whether the courts below erred in holding that causes of action for trade secret misappropriation were barred by the Alabama one year statute of limitations in view of the subsequent announcement by the Supreme Court of Alabama that trade secret theft constitutes conversion, a cause of action for which the limitations period is six years.

3. Whether a summary judgment respondent must bear the burden of proving that numerous causes of action accrued within the limitations period when the movant fails to establish a prima facie statute of limitations defense for all but a few isolated causes of action.

4. Whether the courts below erred in their interpretations of well settled Alabama law controlling when unrelated claims accrue for limitations purposes and application of the appropriate statute of limitations in cases involving a continuing succession of wrongful acts.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

The petitioner, Avco Corporation,[1] respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Eleventh Circuit entered in this case on May 17, 1982.

OPINIONS BELOW

The memorandum opinion and order of the United States District Court for the Middle District of Alabama, Northern Division (App. A) are not officially reported. The opinion of the

[1] The parties to the proceeding before the United States Court of Appeals for the Eleventh Circuit were only those appearing in the caption. Avco Corporation has three majority owned subsidiaries, Test & Evaluation International Services, Inc., Avco Lyco International, Inc., and Avco Financial Services, Inc., all of which are Delaware corporations.

United States Court of Appeals for the Eleventh Circuit (App. B) is reported at 676 F.2d 494.

JURISDICTION

The judgment of the Court of Appeals was entered on May 17, 1982. A Suggestion for Rehearing En Banc and Petition for Rehearing was timely filed on June 5, 1982. Both were denied on June 28, 1982. This Court's jurisdiction is invoked under 28 U.S.C. §1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS AND RULES INVOLVED

Constitution of the United States

Amendment V provides in part:

> No person shall be . . . deprived of life, liberty, or property, without due process of law. . . .

Amendment XIV, Section 1 provides in part:

> No State shall . . . deny to any person within its jurisdiction the equal protection of the laws.

Statutes

17 U.S.C. app. §102(b) provides:

> (b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

17 U.S.C. app. §301 provides in part:

> §301. Preemption with respect to other laws
>
> (a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter

of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to —

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978; or

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

Ala. Code §6-2-34(3) (1975) provides:

The following must be commenced within six years:

(3) Actions for the detention or conversion of personal property . . . .

Ala. Code §6-2-39(a)(5) (1975) provides:

The following must be commenced within one year:

(5) Actions for any injury to the person or rights of another not arising from contract and not specifically enumerated in this section . . . .

RULES

Fed. R. Civ. P. 8 provides in part:

Rule 8. General Rules of Pleading

(a) Claims for Relief. A pleading which sets forth a claim for relief, whether an original claim, counterclaim, cross-claim, or third-party claim, shall contain (1) a short and plain statement of the grounds upon which the court's jurisdiction depends, unless the court already has jurisdiction and the claim needs no new grounds of jurisdiction to support it, (2) a short and plain statement of the claim showing that the pleader is entitled to relief, and (3) a demand for judgment for the relief to which he deems himself entitled. Relief in the alternative or of several different types may be demanded.

* * *

(e) Pleading to be Concise and Direct; Consistency.

(1) Each averment of a pleading shall be simple, concise, and direct. No technical forms of pleading or motions are required.

(2) A party may set forth two or more statements of a claim or defense alternately or hypothetically, either in one count or defense or in separate counts or defenses. When two or more statements are made in the alternative and one of them if made independently would be sufficient, the pleading is not made insufficient by the insufficiency of one or more of the alternative statements. A party may also state as many separate claims or defenses as he has regardless of consistency and whether based on legal, equitable, or maritime grounds. All statements shall be made subject to the obligations set forth in Rule 11.

(f) Construction of Pleadings. All pleadings shall be so construed as to do substantial justice.

Fed. R. Civ. P. 56 provides in part:

(b) For Defending Party. A party against whom a claim, counterclaim, or cross-claim is asserted or a declaratory judgment is sought may, at any time, move with or without supporting affidavits for a summary judgment in his favor as to all or any part thereof.

(c) . . . The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.

* * *

(e) Form of Affidavits; Further Testimony; Defense Required. Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated therein. Sworn or certified copies of all papers or parts thereof referred to in an affidavit shall be attached thereto or served therewith. The court may permit affidavits to be supplemented or opposed by deposition, answers to interrogatories, or further affidavits. When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of his pleading, but his response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial. If he does not so respond, summary judgment, if appropriate, shall be entered against him.

STATEMENT OF THE CASE

This lawsuit concerns a multitude of trade secrets relating to the design of aircraft parts. Petitioner, Avco Corporation (Avco), dedicated extensive resources to development of these designs. The investment was high risk. Only by maintaining secrecy of the designs could Avco obtain a return to justify the risk involved in that investment. Now Precision Air Parts, Inc. (Precision) has obtained and used those secrets. The value of Avco's investment is in jeopardy.

All manufacturers of aircraft parts must obtain Federal Aviation Administration (FAA) approval to sell these parts in air commerce. Precision has applied for Parts Manufacturer Approval (PMA) on numerous parts for gasoline-fueled airplane engines originally manufactured by Avco's Lycoming Williamsport Division (sometimes referred to in the record as "Lycoming"). Precision asserts that its parts are identical in design to Avco's parts. In order to obtain such PMAs, Precision must demonstrate that every feature of its design is the same as that approved by the FAA for Avco's part. These features include not only the general dimensions and configuration of the part but also such details as tolerances, materials, fabrication processes, finishes, and tests which the part must undergo and pass.

Avco brought a diversity action against Precision on June 12, 1979 for misappropriation of trade secrets and violation of common law copyrights. Avco, a Deleware corporation, has a principal place of business in Connecticut; Precision, an Alabama corporation, has its principal place of business in that state.

The gravamen of Avco's complaint against Precision is that Precision could not have submitted drawings and specifications to the FAA showing sufficient detail to demonstrate identicality of its designs with Avco's designs without access to Avco's confidential drawings and specifications. Avco has never released or authorized release to Precision of information pertaining to the

details of the designs of replacement parts for Lycoming engines. Precision first used each item of such information when it applied for a PMA for the part to which the item of information pertains. (Such disclosures to the FAA were made in confidence, Precision marked each of its drawings and specifications as confidential, and the FAA has treated them as confidential.) The dates of first use of various trade secrets occurred at different times for different replacement parts. Subsequent and independent wrongful uses have occured on each occasion when Precision used particular items of Avco's trade secret information to manufacture its parts.

After limited discovery, Precision submitted a motion urging that all claims arising after January 1, 1978 were preempted by the Copyright Act of 1976 and any claims arising before that date were barred by the Alabama one year statute of limitations. At no time did Precision ever assert that Avco's rights arising from Precision's acquisition and first use of all of Avco's various trade secrets were barred by the statute of limitations.

The district court adopted the position urged by Precision. That decision required two facts: 1) the effective date of the Copyright Act of 1976 and 2) the date the lawsuit was filed. No findings were made as to when any specific cause of action accrued.

On appeal, the Eleventh Circuit decided the case on grounds other than copyright preemption. It went back to the incomplete record[2] to find as a matter of fact that all of Avco's claims arose as of the date the first cause of action accrued, April 17, 1978. It

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[2] Because the district court stayed proceedings, discovery was limited to one round of interrogatories for each party and a partial deposition of Precision taken through its president and principal stockholder. The facts presented herein are distilled from the complaint, the responses to interrogatories, and the affidavits filed in connection with the motions for dismissal or summary judgment. No reference is made to information appearing in the unsigned deposition of Precision which was not before the district court.

held that the Alabama one year statute of limitations applied and all claims were therefore barred.

The two elements of Avco's causes of action for misappropriation of trade secrets are: 1) obtaining the trade secret by one of several improper means, and 2) wrongful use of the misappropriated information.

With respect to the times of Precision's taking of confidential information, the record contains only the allegations appearing in the complaint. Paragraph 11 alleges:

> 11. Despite Lycoming's efforts to maintain the confidentiality of its drawings and specifications for Lycoming engine parts, defendant Precision has, on information and belief, without proper authority obtained and improperly utilized copies of Lycoming proprietary drawings and specifications to obtain PMA's for replacement parts for Lycoming engines. On information and belief, defendant has obtained such drawings and specifications under circumstances where defendant knew, or reasonably should have known, that the drawings and specifications were Lycoming's property and the information thereon was Lycoming's confidential and proprietary information. Defendant has improperly obtained Lycoming's confidential and trade secret information, and has used and is using and exploiting such information for its own benefit.

Avco did not know when, how, or on how many separate occasions Precision obtained the secrets. At no time, however, did Precision ever assert that it stole all of the secrets on any particular date.

Allegations pertaining to the dates of Precision's first and subsequent wrongful uses of Avco's secrets are contained in the same paragraph 11 of the complaint and also in Avco's response to Precision's Interrogatories 2 and 7. There, Avco stated its position as to when acts of misconduct occurred:

> The dates, to the extent now known, were the dates on which defendant Precision Air Parts, Inc., submitted

wrongfully obtained Lycoming data to the FAA to obtain PMA's for replacement parts for Lycoming engines. Other dates are unknown at this time pending the completion of Lycoming's discovery herein. Defendant's use of Lycoming's confidential, proprietary, and trade secret information constitutes a continuing tort, however, and such misconduct is therefore continuing.

Thus, for each secret, the date of Precision's *first* wrongful use was alleged to have been the date on which the secret was used in an application for a PMA.

In response to Precision's Interrogatory 11, Avco indicated that the parts which were then believed by Avco to be the subject matter of the suit were set forth in a list containing some 57 parts. The record does not show application dates for PMA's covering all the 57 parts in issue, but Precision did identify three such filing dates for applications involving a total of six parts. An application covering five parts was filed on April 17, 1978. An application on the sixth part was filed on September 28, 1978 and refiled on December 11, 1978. The record contains no evidence indicating that PMA applications for the remaining 51 parts were filed outside the limitations period.

REASONS FOR GRANTING THE WRIT

A. Correction of Clear Errors Will Permit Resolution of an Important and Novel Federal Issue, Reconsideration in View of a Recent Controlling Alabama Case, and Avoidance of Gross Miscarriage of Justice

1. The Scope of Preemption Under Section 301 of the Copyright Act of 1976 Needs to be Resolved

In deciding the present case purely on limitations grounds, the court of appeals avoided a novel federal issue which for policy reasons needs to be resolved promptly. The scope of copyright preemption issue under 17 U.S.C. app. §301 has not been

decided by any appellate court, and the decisions of the district courts are in confusion. Guidance from an appellate court and eventually from this Court is essential and such guidance is needed promptly. The question arises because Congress passed a new law — the Copyright Act of 1976.

As presented in this case, the preemption question is: To what extent does Section 301 of the Copyright Act of 1976 preempt causes of action under state law for wrongful taking and use of trade secrets? The statute in question provides that:

> "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 . . . are governed exclusively by this title."

It further provides:

> "Nothing in this title annuls or limits any rights or remedies under common law or statutes of any State with respect to —
>
> . . . . .
>
> (3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

The courts have had considerable difficulty in deciding whether the right to prevent or recover for wrongful taking and use of trade secrets is "equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106." An example of the conflicting analysis applied by the district courts can be found by comparing the excellent opinion in *Warrington Associates, Inc.* v. *Real-Time Engineering Systems, Inc.*, 522 F. Supp. 367 (N.D. Ill. 1981), with the opinion of the district court in the present case.

The issue is important. Technology advances have become a primary means of survival for many businesses in our economy. Research and development investment often involves high risk. It is essential that some assurance be available that the benefits

of innovations can be protected until a portion of the R&D expenses is recovered. Yet not all innovations can be protected by patents or copyrights. Many are not patentable subject matter within 35 U.S.C. §101. The copyright laws protect only the expression and not the substance of information contained in the work. 17 U.S.C. app. §102(b). Copyright registrations fail to protect the value of research in many instances because depositing a copy of the work in the Library of Congress makes the work public and thereby gives away the substance.

This Court has recognized the need for some state law to fill the gaps left by the patent laws. This Court expressly recognized the justifiable policies of promoting business ethics and providing incentive for high risk investment in *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470 (1974).

The new copyright statute has created uncertainty as to the extent to which states may provide remedies for industrial espionage without running afoul of the copyright laws. This uncertainty in the present status of the law affects virtually every high technology company. Counsel cannot give rational advice to anyone contemplating capital investment in technology on the effect of industrial espionage on the financial risk. Legislatures and police authorities cannot actively promote a minimum level of business ethics by providing civil remedies, criminal sanctions, or both until the uncertainty is cleared. Should the U.S. Attorney in the IBM cases have sought indictments for criminal copyright infringement rather than interstate transportation of stolen property? *United States* v. *Hitachi, Ltd.*, No. CR-82-372-SWSJ (N.D. Calif. filed June 30, 1982); *United States* v. *Mitsubishi Electric Corp.*, No. CR-82-396-WASJ (N.D. Calif. filed July 19, 1982); *United States* v. *Codet*, No. CR-82-371-RDAJ (N.D. Calif. filed June 30, 1982). To what extent are the efforts of the numerous state legislatures adopting the Uniform Trade Secrets Act for naught if indeed trade secret remedies are preempted by Section 301? Only when a court of appeals and

eventually this Court address the issue will these questions be answered. The issue was properly presented and could have been addressed in the present case. This Court should correct the errors of the court of appeals so that the preemption issue can be decided.

2. The Alabama Supreme Court's Announcement That Wrongful Taking of Trade Secret Software Is a Conversion Triggers the Six Year Statute of Limitations

The errors of the court of appeals should be corrected to allow that court to reconsider its decision in view of *National Surety Corp.* v. *Applied Systems, Inc.*, 16 Ala. Bar Rep. 2155 (m.s.) (Ala. July 9, 1982). Eleven days after the petition for rehearing in this case was denied, the Alabama Supreme Court held that purely intangible property can be the subject of a conversion. This decision renders incorrect the holdings of the district and appeals courts as to which statute of limitations applies. The district court, in ruling that the Alabama one year statute of limitations applied, relied on *Local Trademarks, Inc.* v. *Rogers*, 73 F. Supp. 907 (N.D. Ala. 1947), *aff'd sub nom., Local Trademarks, Inc.* v. *Price*, 170 F.2d 715 (5th Cir. 1948). *Local Trademarks* ruled that the one year statute rather than the six year statute applied because the property right invaded was purely intangible and separate from some tangible thing. *National Surety* now demonstrates that the underlying premise of *Local Trademarks* was not and is not the law of Alabama. Purely intangible property, such as a computer program or a trade secret, can be the subject of a conversion. Although *National Surety* did not involve a limitations problem, the case clearly holds that a claim for "conversion" does arise when computer software alone — with no tapes, hardware, or other tangible property — is stolen. Labeling the cause of action as a conversion triggers application of the Alabama six year statute of limitations. Ala. Code §6-2-34(3). That section provides:

The following must be commenced within six years:

> (3) Actions for the detention or conversion of personal property . . . .

Under that statute, which Avco has contended all along should apply, none of Avco's claims is barred. The decisions of the courts below now stand in irreconcilable conflict with the announced law of the state of Alabama. The lower courts should be given the opportunity to correct their error.

3. Review by This Court Is the Only Opportunity For Correction of Clear Procedural Errors Which First Arose in the Court of Appeals

The preemption issue remains unanswered because of fundamental errors committed in the first instance in the court of appeals. The court of appeals erred because it decided the case on grounds which were not raised below — either expressly or incidentially by the proofs — and which Avco never had the chance to address. The court of appeals then committed a second because it placed the burden of going forward and the burden of persuasion on the party resisting the motion for summary judgment — Avco. Had the court followed long established rules governing motions for summary judgment, it would have recognized the disputed facts, concluded that summary judgment purely on the grounds of limitations was improper, and reached the preemption issue. Finally, the court of appeals returned to the dark ages of pleading when it construed Avco's misappropriation count to state a single cause of action.

The effects of the errors are more pernicious because the errors arose in the court of appeals. While generally petitioners in this Court have already had at least one opportunity for review by an appellate court, Avco has not. The only court that can correct the manifest injustice to Avco is this Court. These circumstances take the present case out of the ordinary and rank it with cases like *Inwood Laboratories, Inc.* v. *Ives Laboratories, Inc.*, 50 U.S.L.W. 4592 (U.S. June 1, 1982), where the Court

corrected a procedural error to preserve the important substantive issues raised.

B. The Proceedings in The Court of Appeals Departed In Three Ways From the Course of Judicial Proceedings Dictated by the Constitution, This Court, and the Federal Rules

1. The Court Erred in Deciding the Case on Grounds Not Raised Below Because Avco Never Had a Chance to Address Summary Judgment Based Only on Statute of Limitations

This Court has long recognized that summary judgment on grounds not raised in the district court deprives the losing party of its day in court. *Fountain* v. *Filson*, 336 U.S. 681 (1949). Law under such a decision operates by ambush, the very antithesis of due process and decision on the merits.

The court of appeals censured Avco for failing to address a defense which was not raised in the district court. It said, App. B. at B-2:

> "Avco had ample time and opportunity to present any material relevant to the summary judgment motion, but failed to do so."

Facts relevant to a motion based solely on limitations were irrelevant to the motion before the district court. That motion was conjunctively based on preemption and limitations. Under the district court's decision, the time when any particular cause of action arose was irrelevant. Contrary to the court of appeals' censure, Avco should not have to negate a myriad of other defenses not before the district court on the chance that the court of appeals might ignore Supreme Court authority and resort to a defense not properly before it.

2. The Court Erred in Placing the Burden of Proof on Avco to Negate the Defense Based Only on Limitations

The court of appeals departed from the dictates of Rule 56 of the Federal Rules of Civil Procedure and of this Court when it placed the burden of proof on Avco, drew inferences in favor of Precision, and outright ignored undisputed facts that conclusively demonstrate impropriety of a statute of limitations defense.

Assuming that the court of appeals could decide the case on summary judgment grounds which had not been urged in the trial court, it should have reached the opposite result because undisputed facts sufficient to make out a statute of limitations defense were not presented. If the court of appeals could properly consider *de novo* whether the facts required to make out the defense were undisputed, that court was required to follow the same rules in scrutinizing the record that a district court must follow in deciding a motion for summary judgment.

The principles respecting burden of proof and presumptions in summary judgment motions are well settled. Rule 56(c) of the Federal Rules of Civil Procedure places the burden on the movant, Precision, and gives the resisting party, Avco, every presumption and inference. *United States* v. *Diebold, Inc.*, 369 U.S. 654 (1962); *Poller* v. *Columbia Broadcasting System, Inc.*, 368 U.S. 464 (1962). As summarized by one treatise writer:

> The movant is held to a stringent standard. Before summary judgment will be granted it must be clear what the truth is and any doubt as to the existence of a genuine issue of material fact will be resolved against the movant. Because the burden is on the movant, the evidence presented to the court always is construed in favor of the party opposing the motion and he is given the benefit of all favorable inferences that can be drawn from it.

10 C. Wright & A. Miller, Federal Practice and Procedure §2727 (1973) (citations omitted).

Further, if the moving party fails to introduce competent admissible evidence to make out the legal basis for the motion, the opposing party is not required by Rule 56(e) to come forward with affidavits establishing issues of fact on the points not made out; rather, the opposing party may rely on its pleadings and discovery responses, including any inferences that may be drawn therefrom. *Adickes* v. *S.H. Kress & Co.*, 398 U.S. 144, 160 (1970).

Even if the one year statute applied, had the court below followed these fundamental rules it would have discovered that the record shows three categories of causes of action, two accruing within the year preceding suit and one accruing outside that period.

Had the correct rules been followed, the starting point would have been definition of the substantive right. The court of appeals correctly stated the general Alabama law when it said, App. B at B-4:

> Under Alabama law a cause of action accrues for statute of limitations purposes "as soon as the party in whose favor it arises is entitled to maintain an action thereon." *Garrett* v. *Raytheon Co.*, 368 So. 2d 516, 519 (Ala. 1979).

To identify when a plaintiff can first seek redress for legal injury, the record must be searched to find the occurrence of each element of the tort for which the law provides a remedy. For example, in *West Pratt Coal Co.* v. *Dorman*, 161 Ala. 389, 49 So. 849 (1909), the statute did not begin to run until a date within the limitations period because one element of the tort — injury in fact — did not occur until that time.

Courts sitting in Alabama follow the Restatement of Torts for unfair competition and trade secret torts. *McDonald's Corp.* v. *Moore*, 243 F. Supp. 255 (S.D. Ala. 1965), *aff'd mem.*, 363 F.2d 435 (5th Cir. 1966). Section 757 of the Restatement defines a cause of action for disclosure or use of another's trade secret if the trade secret was learned by one of several nefarious means.

The tort requires (1) wrongful acquisition and (2) wrongful use or disclosure.[3] When the record is examined for occurrence of these *two* elements for individual trade secrets, it shows three distinct categories of trade secrets: 1) secrets pertaining to fifty-one parts for which the record contains no dates, 2) secrets pertaining to one part where a PMA application was filed September 28, 1978, and 3) secrets pertaining to five parts where PMA applications were filed April 17, 1978.

As to the fifty-one parts for which the record contains no date of theft or first use, the record contains not a shred of evidence tending to show that Precision's wrongful acquisition and first use or disclosure of Avco's secrets occurred before June 12, 1978. In the absence of evidence from the moving party, the resisting party is entitled to rely on the position taken in the pleadings as amplified in the interrogatory responses. *Adickes*, 398 U.S. of 160. Avco identified dates of misconduct subsequent to June 12, 1978 as the dates on which Precision "wrongfully obtained, used, or submitted Lycoming data to the FAA to obtain PMA approvals."

At a bare minimum, the record shows dispute as to when the claims for secrets in this first category accrued. When the record is construed most favorably to Avco, the claims for secrets pertaining to these fifty-one parts must be deemed to have accrued within the limitations period. The court of appeals improperly drew the opposite inference.

As to the secrets pertaining to the part for which application for PMA was first filed on September 28, 1978, here again the

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[3] Application of the Restatement definition is presently the law of the case. The recent decision by the Alabama Supreme Court in *National Surety* appears consistent with this Ruling. Regardless of whether the cause of action accrues at the time of wrongful acquisition or upon first use, the decision of the court below is still clear error because the record contains no evidence tending show wrongful acquisition of secrets in the first and second categories more than a year preceding suit.

record contains no evidence tending to show that these secrets were stolen or first used prior to that date. Avco is entitled to an inference that September 28, 1978 is the day on which causes of action for those secrets first accrued. The court of appeals totally ignored the undisputed facts which demonstrate impropriety of summary judgment for this category of claims.

As for the secrets pertaining to the five parts which formed the subject matter of an application for PMA filed April 17, 1978, Avco is willing to concede that causes of action arising out of theft and first use of these secrets accrued no later than April 17, 1978. If application of the one year statute were proper, claims for theft and uses outside the year preceding suit would be barred; yet the *National Surety* decision demonstrates that the six year statute applies.

The record, when properly construed, shows that even if the court could consider affirming on limitations alone, Precision was not entitled to summary judgment on that ground.

3. The Court Erred in Resorting to Technical Forms of Pleading to Construe Avco's Misappropriation Count as a Single Cause of Action

The court of appeals failed to recognize three distinct categories of wrongs because it narrowly construed Avco's trade secret misappropriation count to plead a single wrong. It ruled, App. B., at B-4 – B-5:

> The complaint does not differentiate between any separate acts of Precision with respect to particular replacement parts but combines in one cause of action all of Avco's information that Precision allegedly misappropriated.

In so doing, the court of appeals returned to the dark ages of pleading.

This Court has long held that the Federal Rules of Civil Procedure must be construed to eliminate the technicalities of pleading, to give defendant fair notice of plaintiff's claim, and to facilitate a proper decision on the merits. Discovery, not the

pleadings, serves to sharpen the claims and defenses. *Conley* v. *Gibson*, 355 U.S. 41, 47–48 (1957). Rule 8(f) directs federal courts to liberally construe the pleadings. *Id.* at 48; *Beacon Theatres, Inc.* v. *Westover*, 359 U.S. 500, 506 (1959).

In this case, the court of appeals clearly ignored the liberal pleading philosophy of the Rules. Precision was certainly apprised of the claims against it by the allegations of Avco's complaint; Avco has been greatly prejudiced by the summary dismissal of all causes of action.

Future diversity plaintiffs bringing multiple causes of action in a single suit will be shackled with the burden of either filing a voluminous repetitious complaint with separate counts for each item stolen or facing the penalty of dismissal of all causes of action merely because they identified generiсly the items stolen in a single concise paragraph.

C. The Court of Appeals Departed From Alabama Substantive Law in Two Distinct Respects That Will Seriously Prejudice the Rights of Future Litigants

Under basic tenets of federal diversity jurisdiction application of state substantive law gives the same result regardless of whether suit is brought in state or federal court. *Guaranty Trust Co.* v. *York*, 362 U.S. 99 (1945). The present decision destroys this consistency of result by creating from whole cloth a construction of the Alabama statute of limitations whereby all causes of action are barred when only one accrued prior to the bar day. This construction departs from Alabama law in two distinct ways.

First, the court of appeals lumped together numerous causes of action involving different subject matter and accruing at separate times. This treatment corresponds to barring claims for conversion of both the family truck and the family flatware when only the claim for the truck accrued prior to the bar day.

King Homes, Inc. v. *Roberts*, 46 Ala. App. 257, 240 So. 2d 679 (1970); *Plummer* v. *Hardison*, 6 Ala. App. 625, 60 So. 502 (1912).

The second departure from Alabama law arose when the court of appeals failed to follow long established case law recognizing claims arising within the limitations period where each successive wrongful act gives rise to a new cause of action separate and distinct from torts occurring before the bar day. This departure is analogous to barring recovery for a battery occurring within the limitations period because of another battery before the bar day. *Ramey* v. *Guyton*, 394 So. 2d 2 (Ala. 1980); *Garrett* v. *Raytheon Co.*, 368 So. 2d 516, 521 (Ala. 1979); *Garren* v. *Commercial Union Insurance Co.*, 340 So. 2d 764, 766 (Ala. 1976). *Howell* v. *City of Dothan*, 234 Ala. 158, 174 So. 624 (1937); *Alabama Fuel & Iron Co.* v. *Vaughn*, 203 Ala. 461, 83 So. 323 (1919).

The proceedings in the court of appeals depart so far from established rules of substantive and procedural law that for all practical purposes they amount to no proceedings at all. Avco never had the opportunity to make a record. The law of the Alabama cases — as established by their facts and results — had no impact at all on the court of appeals ruling. Effectively the court of appeals has endorsed Precision's conduct by this denial of due process.

The court of appeals decided to bar Avco's causes of action for successive wrongs because the injuries are not continuing diseases or nuisances like those in many of the Alabama cases. This distinction completely lacks rationale and justification. Equal protection requires that those similarly situated (here, assuming application of the one year statute, plaintiffs pursuing non-contract claims which are not specifically treated in other statutes) may appeal to the courts for relief under like circumstances and without discrimination. Statutes of limitation which unreasonably and without justification discriminate against a particular

class are unconstitutional. *Caldwell* v. *Alabama Dry Dock & Ship-building Co.*, 161 F.2d 83 (5th Cir. 1947); *Van Horn* v. *Lukhard*, 392 F. Supp. 384 (E.D. Va. 1975). Construction of a statute which operates to deny equal protection should likewise be declared unconstitutional. Avco's situation for purposes of limitations is no different from those of the plaintiffs in *Howell*, *Garren*, and *Vaughn* above.

This Court should grant the writ to correct these fundamental errors of the court of appeals, allow decision of the preemption issue, and give Avco its day in court.

CONCLUSION

For these reasons, a writ of certiorari should issue to review the judgment and opinion of the U.S. Court of Appeals for the Eleventh Circuit.

Respectfully submitted,

.....

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APPENDIX A

AVCO CORP. V. PRECISION AIR PARTS, INC., NO. 79-275-N (M.D. ALA. SEPT. 4, 1980)

IN THE
UNITED STATES DISTRICT COURT
FOR
THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

CIVIL ACTION NO. 79-275-N
[Filed Sept. 4, 1980]

AVCO CORPORATION,

Plaintiff,

VS.

PRECISION AIR PARTS, INC.,

Defendant.

MEMORANDUM OPINION

Before the Court is Defendant's motion to dismiss or, in the alternative, motion for summary judgment filed herein January 21, 1980. In its complaint filed herein June 12, 1979, Plaintiff alleged State causes of action for misappropriation of trade secrets, unfair competition and common law copyright infringement. Defendant contends that Plaintiff's State causes of action are preempted by the Copyright Revision Act of 1976, 17 U.S.C. § 301. Upon consideration of the aforesaid motion, the affidavits, the answers to interrogatories and the briefs filed herein, this Court is of the opinion that, in this case of first impression, the Defendant's motion for summary judgment should be granted.

FACTS

A review of the record, when construed in the light most favorable to Plaintiff, reveals the following material facts:

1. Plaintiff and Defendant are competitors in the manufacture and sale of replacement parts for gasoline airplane engines.

2. Manufacturers of replacement parts for aircraft engines, other than the original FAA certified manufacturer, must obtain a Parts Manufacturer Approval (PMA) from the FAA before it may sell replacement parts. 14 C.F.R., § 21.303. Defendant obtained several PMAs from the FAA for replacement parts for which Plaintiff is the FAA certified manufacturer. Since one method of obtaining a PMA is for an applicant to show that the design of the part is identical to the design of a part that is covered under a type certificate, Plaintiff alleges that Defendant has, "on information and belief, without proper authority obtained and improperly utilized copies of Lycoming proprietary drawings and specifications to obtain PMAs for replacement parts for Lycoming engines" (Complaint, ¶ 11). This constitutes the basis for Plaintiff's claim for misappropriation of trade secrets.

3. Plaintiff has also alleged that "[s]uch unlawful appropriation or misappropriation of the valuable trade secrets and confidential information of Lycoming constitutes unfair competition" (Complaint, ¶ 12).

4. The claim of common law copyright infringement is premised upon Plaintiff's allegation that, "on information and belief", the Defendant has "copied or duplicated, or caused additional copies or duplications to be made from, such original Lycoming drawings and specifications", which Defendant has used to obtain PMAs from the FAA (Complaint, ¶ 20).

5. None of the engines utilizing the parts which are the subject matter of this action have been patented or made the subject of a patent application which is pending or has been withdrawn (Plaintiff's Answer to Interrogatory No. 4).

6. Plaintiff has not applied for registration of a claim to copyright on any of the parts designs or trade secrets which are the subject matter of this suit (Plaintiff's Answer to Interrogatory No. 18).

CONCLUSIONS OF LAW

Defendant contends that the causes of action alleged in Plaintiff's complaint are preempted by the Copyright Revision Act of 1976, 17 U.S.C. § 301(a).[1] This Court agrees.

For a cause of action to be preempted by the federal statute, the facts must relate to rights that are equivalent to the exclusive rights belonging to a copyright holder as specified in 17 U.S.C. § 106,[2] the works of authorship must be fixed in a tangible medium of expression and the facts must concern a work which

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[1] "(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State."

[2] "§ 106. EXCLUSIVE RIGHTS IN COPYRIGHTED WORKS. Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work; (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly."

is within the subject matter of copyright as specified by §§ 102[3] and 103[4].

The essence of Plaintiff's complaint is that Defendant has copied its drawings and specifications and prepared derivative works based upon those drawings and specifications. Thus, the complaint fits squarely into § 106(1) and (2). It is undisputed that the drawings and specifications are "fixed in a tangible medium of expression". Finally, the drawings and specifications in issue could certainly be characterized as pictorial or graphic works. Thus, this Court is of the opinion that the requirements of 17 U.S.C. § 301(a) are satisfied by the facts in this case.

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[3] "§ 102. SUBJECT MATTER OF COPYRIGHT: IN GENERAL. (a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; and (7) sound recordings.

"(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." Patent rights supplement where copyrights terminate. 35 U.S.C. §§ 1, *et seq.*

[4] "§ 103. SUBJECT MATTER OF COPYRIGHT: COMPILATIONS AND DERIVATIVE WORKS. (a) The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

"(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such works, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material."

The Congressional intent behind the Copyright Revision Act was to "preempt and abolish any rights or statutes of a state that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law" (Notes of Committee on the Judiciary, House Report No. 94-147). Thus, not only are common law copyright infringement actions preempted, but those actions "equivalent to copyright" are also preempted.

Count II of Plaintiff's complaint is "directed to Precision's infringement of Avco's common law copyright rights, is subsidiary and incident to Count I, and was brought in good faith to preserve Avco's rights" (Plaintiff's Memorandum in Opposition to Defendant's Motion to Dismiss or, In the Alternative, For Summary Judgment, p. 2). As a common law copyright infringement claim, it is specifically preempted by the Copyright Revision Act of 1976; however, if the cause of action arose before the effective date of the Copyright Revision Act (January 1, 1978), then it would not be affected by the preemption provisions. 17 U.S.C. § 301(b)(2). However, under Alabama law, the applicable statute of limitations for common law copyright infringement actions is one year [CODE OF ALABAMA, § 6-2-39(a)(5)]. *Local Trademarks* v. *Rogers*, 73 F.Supp. 907 (N.D. Ala.), affm'd. *Local Trademarks* v. *Price*, 170 F.2d 715 (5th Cir. 1948). Since Plaintiff's complaint was not filed until June 6, 1979, the limitations period would bar the common law copyright infringement action if it arose before January 1, 1978. Thus, this Court is of the opinion that Plaintiff's common law copyright infringement claim does not state a cause of action upon which relief can be granted and is due to be dismissed.

Even though Plaintiff's causes of actions alleged in Count I of its complaint are based on the same set of facts as the common law copyright infringement claim in Count II, Plaintiff contends that they are not equivalent to copyright and, thus, not preempted by 17 U.S.C. § 301. This Court disagrees.

In Count I of its complaint, the Plaintiff has alleged State causes of action for misappropriation of trade secrets and unfair competition. Plaintiff relies heavily on the contention that, while Alabama does not have any statutes concerning misappropriation of trade secrets, it has adopted the view as expressed by the RESTATEMENT OR TORTS, §§ 757[5] and 759[6]. *McDonald's Corp.* v. *Moore*, 243 F.Supp. 255 (S.D. Ala. 1965), affm'd. 363 F.2d 435. However, that case was decided prior to the enactment of the Copyright Revision Act of 1976. Furthermore, §§ 757 and 759 were omitted from the SECOND RESTATEMENT OF TORTS (1979).[7] Since McDonald's was decided prior to the enactment of the Copyright Revision Act of 1976 and it is the only case cited or divulged through the Court's independent research in support of Plaintiff's contention that Alabama has adopted the RESTATEMENT's view on misappropriation of trade secrets, this Court is not convinced that Alabama does, in fact, recognize such a cause of action. However, if Alabama has adopted the RESTATEMENT view, jurisdiction is preempted — as in conflict with federal law — where it is based on a right

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[5] "One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovered the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or (c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or (d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake."

[6] "One who, for the purpose of advancing a rival business interest, procures by improper means information about another's business is liable to the other for the harm caused by his possession, disclosure or use of the information."

[7] It was explained in said treatise that these sections, along with other sections relating to unfair trade practices, were omitted because "these subjects have become substantial specialties in their own right, governed extensively by legislation and largely divorced from their initial grounding in the principles of tort" (p. VII).

within the scope of copyright or on a right equivalent thereto[8] or does not require the elements of an invasion of privacy, a trespass, a breach of trust or a breach of confidentiality.[9] This Court has already determined that Plaintiff's rights allegedly violated by Defendant — copying Plaintiff's drawings and specifications and preparing derivative works therefrom — are within the scope of copyright. 17 U.S.C. § 106(1) and (2). Plaintiff has not even alleged, much less shown that Defendant has committed any of the elements that allow the common law rights of "trade secrets" to avoid preemption. Thus, this Court is of the opinion that Plaintiff's cause of action for "misappropriation of trade secrets" is preempted by the Copyright Revision Act of 1976.

Plaintiff, however, contends that its cause for misappropriation of trade secrets is not affected by the statute in issue because it arose prior to January 1, 1978. 17 U.S.C. § 301(b)(2). However, this Court is of the opinion that this action neither arises from a contract nor is it specifically enumerated under any other statute of limitations. Thus, the one-year statute of limitations (CODE OF ALABAMA, § 6-2-39(a)(5) [1975]) would toll on Plaintiff's cause of action arising before January 1, 1978, by Janaury 1, 1979. Thus, Plaintiff's complaint filed herein June 12, 1979, would not be timely filed unless, as Plaintiff insists, misappropriation of trade secrets is a "continuing tort" which is

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[8] " 'Misappropriation' is not necessarily synonymous with copyright infringement, and thus a cause of action labeled 'misappropriation' is not preempted if it is fact based neither on aright within the general scope of copyright as specified by section 106 [section 106 of this title] nor on a right equivalent thereto." Notes of Committee on the Judiciary, House Report No. 94-1476.

[9] The common law rights of "trade secrets" are not preempted by the Copyright Revision Act of 1976 so long as the cause of action contains elements, "such as an invasion of personal rights or a breach of trust or confidentiality, that are different in kind from copyright infringement." Notes of Committee on the Judiciary, supra.

not barred until one year after the last wrongful act. See, *Garrett* v. *Raytheon Co.*, 368 So.2d 516 (Ala. Sup.Ct. 1979).[10] This Court is of the opinion that, if the cause of action arose at the time of an alleged misappropriation occurring before January 1, 1978, the cause would be barred by the limitations period and if the misappropriation occurred on or after January 1, 1978, Congress preempted the field by providing a federal exclusive remedy.

Plaintiff's allegation that the alleged misappropriation of trade secrets constitutes "unfair competition" is without merit. "Unfair competiton generally consists of 'palming off' on customers, who are buying with ordinary care, the goods or business of one person as and for the goods or business of another." *Jefferson Home Furniture Co.* v. *Jefferson Furniture Co.*, 349 So.2d, 5, 8 (Ala.Sup. Ct. 1977). Plaintiff does not allege, nor has it shown, that Defendant has falsely labeled, fraudulently represented or otherwise "palmed off" its product on Plaintiff's customers.

While a State may require that precautionary steps be taken to prevent customers from being misled as to the source of products, i.e., "palming off", it cannot prevent the copying of unpatented and uncopyrighted articles, since to do so would conflict with the federal patent and copyright laws.

> "To forbid copying would interfere with the federal policy, found in Art. I, § 8, I. 8, of the constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave

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[10] There is considerable federal authority indicating "that the injury to a plaintiff's interest occurs, and the statute begins to run, either at the time of misappropriation or when disclosure of the trade secret is made. See, *Monolith Portland Midwest Co.* v. *Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (9th Cir. 1969); * * * *Shatterproof Glass Corp.* v. *Guardian Glass Co.*, 322 F.Supp. 854 (E.D. Mich. 1970), aff'd. 462 F.2d 1115 (6th Cir. 1972), cert.denied 409 U.S. 1039." *M & T Chemicals, Inc.* v. *International Bus. Mach. Corp.*, 403 F.Supp. 1145, 1148 (S.D. N.Y. 1975).

in the public domain. * * * But if the design is not entitled to a design patent or other federal statutory protection, then it can be copied at will." *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234, 237 (1964).

Thus, this Court is of the opinion that Plaintiff's unfair competition is preempted and is due to be dismissed.

For the reasons heretofore, discussed, this Court is of the opinion that Plaintiff's complaint fails to state a cause of action upon which relief can be granted and should be dismissed.

An Order will be entered in accordance with this Opinion.

DONE this 4th day of September, 1980.

/s/ R. E. VARNER
UNITED STATES DISTRICT
JUDGE

IN THE
UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

CIVIL ACTION NO. 79-275-N

[FILED SEPT. 4, 1980]

AVCO CORPORATION,

Plaintiff.

VS.

PRECISION AIR PARTS, INC.,

Defendant.

ORDER

In accordance with the Memorandum Opinion entered in the above-styled cause on this date, it is

ORDERED by this Court that the Plaintiff's complaint, failing to state a cause of action upon which relief can be granted, be, and the same is hereby, dismissed, and the above-styled cause is hereby dismissed with costs taxed against the Plaintiff, for which execution may be granted.

DONE this 4th day of September, 1980

/s/ R. E. VARNER
UNITED STATES DISTRICT
JUDGE

APPENDIX B

AVCO CORP. V. PRECISION AIR PARTS, INC., 676 F.2d 494 (11TH CIR. 1982)

Before RONEY and FAY, Circuit Judges, and EDENFIELD*, District Judge.

RONEY, Circuit Judge:

Plaintiff Avco Corporation and defendant Precision Air Parts, Inc. are competitors in the manufacture and sale of replacement parts for gasoline airplane engines. A manufacturer of replacement parts for aircraft engines, other than the original manufacturer certified by the Federal Aviation Administration ("FAA"), must obtain a Parts Manufacturer Approval ("PMA") from the FAA before it may sell replacement parts. 14 C.F.R. § 21.303 (1980). Precision obtained several PMAs from the FAA for replacement parts for which Avco is the FAA certified manufacturer.

In this diversity jurisdiction suit, Avco charged Precision with trade secret misappropriation and common law copyright infringement in connection with these replacement parts. We affirm the district court's judgment for defendant on the ground that both counts are barred by the Alabama one-year statute of limitations.

Dismissal or Summary Judgment?

Interestingly, on appeal the parties dispute whether the district court entered a summary judgment or dismissed the complaint for failure to state a cause of action. This turns on the district court's intent in the matter, and we would have thought that the able counsel here should have gotten the matter resolved in the district court. Appropriate procedures are available in the district court and there is no explanation as to why this should be an issue before us.

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* The Honorable Newell Edenfield, U.S. District Judge for the Northern District of Georgia, sitting by designation. This case is being decided by a quorum due to the death of Judge Edenfield on December 26, 1981. 28 U.S.C. § 46(d).

The confusion arises because the last sentence of the opening paragraph of the memorandum opinion states that "this court is of the opinion that ... the Defendant's motion for summary judgment should be granted." The final sentence of the order states that "this court is of the opinion that Plaintiff's complaint fails to state a cause of action upon which relief can be granted and should be dismissed." The district court in a subsequent order dated December 3, 1980 referred to the order in question as having been a grant of summary judgment in Precision's favor.

This is not a case in which the district court has *sua sponte* converted a Rule 12(b)(6) motion into a summary judgment motion, considered matters outside the pleadings, and granted the motion without giving proper notice to the adverse party. *See, e.g., Davis* v. *Howard*, 561 F.2d 565 (5th Cir. 1977); *Davis* v. *Zahradnick*, 600 F.2d 458 (4th Cir. 1979). The motion in question was clearly styled "Motion by Defendant Precision to Dismiss Avco's Complaint, or in the Alternative, to Grant Summary Judgment in Favor of Defendant Precision and Against Plaintiff Avco." *See McMillian* v. *City of Rockmart*, 653 F.2d 907 (5th Cir. 1981).

Avco had ample time and opportunity to present any material relevant to the summary judgment motion but failed to do so. While a statute of limitations defense may be raised on a motion to dismiss for failure to state a claim for which relief can be granted under Fed.R.Civ.P. 12(b)(6), *see Mann* v. *Adams Realty Co.*, 556 F.2d 288 (5th Cir. 1977), when the complaint shows on its face that the limitations period has run, *Mooney* v. *Tallant*, 397 F.Supp. 680 (N.D.Ga.1975), the defect may be raised by motion for summary judgment where the alleged failure to comply with the statute of limitations does not appear on the face of the complaint. *Chambliss* v. *Coca-Cola Bottling Corp.*, 274 F.Supp. 401, 408 n.14 (E.D. Tenn. 1967), *aff'd*, 414 F.2d 256 (6th Cir. 1969), *cert. denied*, 397 U.S. 916, 90 S.Ct.

921, 25 L.Ed.2d 97 (1970). *See also Higgenbotham* v. *Ochsner Foundation Hospital*, 607 F.2d 653 (5th Cir. 1979).

In this case the complaint does not set forth any date on which Avco's causes of action allegedly accrued. The district court, therefore, necessarily went beyond the pleadings in making a determination on the statute of limitations question. Consequently, the district court's decision must be construed as one granting summary judgment. Therefore, this Court will apply the standard of review for a summary judgment motion in its consideration of the merits of the appeal. *See, e.g., Marcus* v. *St. Paul Fire & Marine Insurance Co.*, 651 F.2d 379, 382 (5th Cir. 1981) (summary judgment may be granted only if there is no issue as to any material fact and the law favors the moving party).

Statute of Limitations

The district court correctly held the one-year statute of limitations applicable to both common law copyright infringement and trade secret misappropriation because neither arises from contract nor is specifically enumerated under any other Alabama limitations statute. *Ala.Code* § 6-2-39(a)(1975).[1] *See also Local Trademarks, Inc.* v. *Rogers*, 73 F.Supp. 907, 908 (N.D.Ala.1947), *aff'd, Local Trademarks* v. Price, 170 F.2d 715 (5th Cir. 1948).

The central difficulty in applying the limitations statute stems from the argument over when the cause of action accrued and the limitations period started to run.

The district court made no definitive determination due to the way it handled the case. The court held that claims arising prior

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[1] Ala.Code § 6-2-39(a)(5) states as follows:

(a) The following must be commenced within one year:

(5) Actions for any injury to the person or rights of another not arising from contract and not specifically enumerated in this section . . .

to January 1, 1978 were time-barred and that claims thereafter were preempted by the federal Copyright Revision Act, 17 U.S.C.A. § 301(b)(2), which became effective on that date. Since the complaint was filed on June 12, 1979, this left open the question of whether the limitations statute barred claims between January and June of 1979, regardless of preemption. Critical to this determination is whether misappropriation of trade secrets is a "continuing tort" under Alabama law, which would mean the cause of action is not barred until one year after the last wrongful act. Although the district court and the plaintiff-appellant here considered the preemption issue paramount, we agree with the defendants that Alabama law would not recognize the continuing tort theory as applied to these causes of action and that a review of the record before the district court reveals that plaintiff's alleged causes of action are time-barred, thus making it unnecessary for us to consider the correctness of the court's decision that they were preempted by the federal law after January 1, 1978.

All the district court had before it was the complaint, the respective interrogatories, and answers from each side and several affidavits. This is all this Court can consider on appeal. Although Avco has attempted to supplement the record on appeal with the partial deposition of Mr. McCune, Precision's president, taken prior to Precision's motion, Avco did not submit it to the district court for consideration and this Court cannot now consider that testimony.

Under Alabama law a cause of action accrues for statute of limitations purposes "as soon as the party in whose favor it arises is entitled to maintain an action thereon." *Garrett* v. *Raytheon Co.*, 368 So.2d 516, 519 (Ala.1979). The district court apparently felt that Avco's causes of action "arose at the time of an alleged misappropriation." The complaint is silent as to when Precision performed the acts which gave rise to this action. The complaint does not differentiate between any separate acts of

Precision with respect to particular replacement parts but combines in one cause of action all of Avco's information that Precision allegedly misappropriated. One must look elsewhere in the record to determine when Avco's cause of action accrued.

Avco's answer to Precision's Interrogatory No. 2 provides some information:

INTERROGATORY NO. 2

> State all dates and surrounding circumstances in detail as to any alleged misconduct on the part of defendant constituting the basis of your claims.

ANSWER

> The dates, to the extent now known, were the dates on which defendant Precision Air Parts, Inc., submitted wrongfully obtained Lycoming data to the FAA to obtain PMA's for replacement parts for Lycoming engines. Other dates are unknown at this time pending the completion of Lycoming's discovery herein. Defendant's use of Lycoming's confidential, proprietary, and trade secret information constitutes a continuing tort, however, and such misconduct is therefore continuing.

Precision's answer to Avco's Interrogatory 7-c indicates Precision applied for five PMAs on April 17, 1978, one on September 28, 1978, and one on December 11, 1978. Precision argues that Avco's cause of action accrued either at the time of misappropriation or when the first disclosure of trade secrets was made, by the first PMA application. Since the complaint was filed on June 12, 1979, any cause of action arising from the PMA applications of April 17, 1978 would be clearly time-barred. Only if misappropriation of trade secrets is a continuing tort, not barred until one year after the last wrongful act, would the September and December applications come into play so that Avco could prevail on this issue.

There is no Alabama case directly on point, and there is a conflict in other jurisdictions as to when a cause of action for trade secret misappropriation accrues. *Compare Monolith Portland Midwest Co.* v. *Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (9th Cir. 1969) *with Underwater Storage, Inc.* v. *United States Rubber Co.*, 371 F.2d 950 (D.C. Cir. 1966), *cert. denied*, 386 U.S. 911, 87 S.Ct. 859, 17 L.Ed.2d 784 (1967), *on remand* 314 F.Supp. 546 (D.D.C. 1970). Therefore, other analogous areas of Alabama law must be reviewed to decide what an Alabama court would hold if faced with this question. *See Arceneaux* v. *Texaco, Inc.*, 623 F.2d 924 (5th Cir. 1980), *cert. denied*, 450 U.S. 928, 101 S.Ct. 1385, 67 L.Ed.2d 359 (1981).

As Avco points out in its brief, Alabama courts have recognized continuing torts in certain circumstances. *See Minyard* v. *Woodward Iron Co.*, 81 F.Supp. 414 (N.D. Ala.), *aff'd*, 170 F.2d 508 (5th Cir. 1948); *American Mutual Liability Insurance Co.* v. *Agricola Furnace Co.*, 236 Ala. 535, 183 So. 677 (1938); *Howell* v. *City of Dothan*, 234 Ala. 158, 174 So. 624 (1937). *See also Commercial Union Assurance Co.* v. *Zurich American Insurance Co.*, 471 F.Supp. 1011, 1015 (S.D. Ala. 1979). These cases generally hold that, for purposes of applying the appropriate statute of limitations in a case involving a continuing disease or injury, the date of injury is the last day on which the plaintiff was exposed to the dangerous conditions. *See, e.g., Minyard* v. *Woodward Iron Co.*, 81 F.Supp. at 417.

Alabama law also provides, however, that a cause of action accrues "as soon as the party in whose favor it arises is entitled to maintain an action thereon," *Garrett* v. *Raytheon Co.*, 368 So.2d at 519, and the statute of limitations begins to run "whether or not the full amount of damages is apparent at the time of the first legal injury." *Id.* Furthermore, it has been held that:

> If the act of which the injury is the natural sequence is of itself a legal injury to plaintiff, a completed wrong, the

> cause of action accrues and the statute begins to run from the time the act is committed, be the actual damage [then apparent] however slight, and the statute will operate to bar a recovery not only for the present damages but for damages developing subsequently and not actionable at the time of the wrong done; for in such a case *the subsequent increase in the damages resulting gives no new cause of action.*

Id. (emphasis added). *See also Moore* v. *United States Pipe & Foundry Co.*, 384 So.2d 1108 (Ala. Civ. App. 1980) (cause of action accrues as soon as plaintiff is entitled to maintain an action regardless of whether the full amount of damages is apparent at the time of the first legal injury).

This statement of the law fully coincides with Precision's view of the case, *i.e.*, Avco's injury, if any, arose at the latest on April 17, 1978 when Precision applied for PMAs on five Lycoming parts, and that is the date the statute began to run.

Avco tries to circumvent Precision's argument in two ways. First, Avco argues that even if the statute did run on some of its claims, its causes of action with respect to the uses Precision allegedly made of Avco's trade secrets and drawings within one year of the filing of its claim are unaffected by the statute of limitations. This argument is founded on the premise that each use of Avco's materials by Precision gave rise to a new cause of action and that the statute of limitations began to run anew with each allegedly wrongful use. In actuality, however, such later use of the materials by Precision only increased Avco's damages.

Avco's second argument involves the continuing tort theory which is really just a variation of its first contention. Avco argues that misappropriation of a trade secret is a continuing tort so long as the value of the secret is not destroyed by general disclosure. There is some support for Avco's contention. *See Underwater Storage, Inc.* v. *United States Rubber Co.*, 371 F.2d 950 (D.C. Cir. 1966), *cert. denied*, 386 U.S. 911, 87 S.Ct. 859, 17 L.Ed.2d 784 (1967), *on remand* 314 F.Supp. 546

(D.D.C.1970); *Anaconda Co.* v. *Metric Tool & Die Co.*, 485 F.Supp. 410, 426 (E.D.Pa. 1980). Nevertheless, this Court finds, in light of the general explanation of Alabama law quoted above from *Garrett*, Alabama would rule that the actionable injury occurs, if at all, either at the time of misappropriation or when disclosure of the trade secret is made. *See Monolith Portland Midwest Co.* v. *Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (9th Cir. 1969). *See also M & T Chemicals, Inc.* v. *International Business Machines Corp.*, 403 F.Supp. 1145 (S.D.N.Y.1975), *aff'd*, 542 F.2d 1165 (2d Cir. 1976), *cert. dismissed*, 429 U.S. 1030, 97 S.Ct. 656, 50 L.Ed.2d 637 (1976); *Freedman* v. *Beneficial Corp.*, 406 F.Supp. 917, 922 (D.Del.1975); *Shatterproof Glass Corp.* v. *Guardian Glass Co.*, 322 F.Supp. 854 (E.D.Mich.1970), *aff'd*, 462 F.2d 1115 (6th Cir. 1972), *cert. denied*, 409 U.S. 1039, 93 S.Ct. 518, 34 L.Ed.2d 487 (1972); *Kearns* v. *Ford Motor Co.*, 203 U.S.P.Q.884 (E.D.Mich.1978).

Avco's assertion regarding general disclosure is based in part on a misreading of *Monolith*. Avco states in its brief that *Monolith* "stands only for the proposition that adverse disclosure will commence the limitations period." This is simply wrong. *Monolith* clearly held that the cause of action for misappropriation of trade secrets "fully matured at the moment [defendant] first made *adverse use or disclosure* of the trade secret in violation of its confidential relationship." 407 F.2d at 292 (emphasis added).

Avco attempts to avoid the consequences of this rule by asserting that it suffered no legal injury from the alleged misappropriation until Precision used the trade secrets by selling parts. Avco claims Precision's application to the FAA alone did not constitute legal damage because the disclosure did not diminish the value of Avco's trade secrets. This claim is without merit. Precision's applications for PMAs, if wrongful, clearly constituted adverse use of Avco's property.

Conclusion

Given the Court's reading of how Alabama courts would interpret the law as it applies to this case, the Court finds that there is no question of material fact as to whether the statute of limitations began to run on Avco's claim on April 17, 1978 and expired on April 17, 1979. Because Avco's complaint was not filed until June 12, 1979, there is no question of material fact that this action was time-barred. This determination, as noted above, "preempts the preemption question" on appeal. Therefore, the Court expresses no opinion as to that issue.

The Court affirms the district court's grant of summary judgment in favor of defendant Precision Air Parts because both counts of plaintiff's complaint are barred by the Alabama statute of limitations.

AFFIRMED.

* * *

ON PETITION FOR REHEARING AND SUGGESTION FOR REHEARING EN BANC

PER CURIAM:

The Petition for Rehearing is DENIED and no member of this panel nor Judge in regular active service on the Court having requested that the Court be polled on rehearing en banc (Rule 35, Federal Rules of Appellate Procedure; Eleventh Circuit Rule 216), the suggestion for Rehearing En Banc is DENIED.

ENTERED FOR THE COURT:

/s/ PAUL H. RONEY [filed June 28, 1982]
United States Circuit Judge